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SUBJECT: The Japan Economic Scope Q- Economic News At-A-Glance.

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[1](#)2. (U) The Japan Economic Scope (JES) is a weekly e-newsletter produced by Embassy Tokyo's ECON section in collaboration with other sections and constituent Posts and published every Friday. It provides a brief overview of recent economic developments, insights gleaned from contacts, summaries of the latest cables and a list of upcoming visitors. This cable contains the November 24, 2006, JES, minus the attachments that accompany many of the individual stories in the e-mail version. To be added to the e-mail list, please email [ProgarJ@state.gov](mailto:ProgarJ@state.gov).

[1](#)3. (U) Keidanren Releases Report Calling for Joint Study on U.S.-Japan Economic Partnership Agreement

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Two weeks before the United States and Japan are to discuss the bilateral economic relationship in a sub cabinet meeting in Tokyo, the Japan Business

Federation (Keidanren) issued a brief paper calling on the two countries to begin to study a new framework for its economic relationship, including possibly working on a free trade agreement.

The November 21 paper is fairly consistent with what we heard would be in it and reported in last week's Scope: it underscores the importance of the bilateral relationship and notes some of the accomplishments under the current U.S.-Japan Economic Partnership for Growth.

It is time, according to Keidanren, for the two sides to study a "new institutional framework" for building closer ties.

While generally upbeat and appreciative of the importance of the relationship, Keidanren is cautious, noting for example that both sides would need to give "full consideration to the sensitivity" of Japan's domestic agricultural sector. Japan's biggest business group questions the appropriateness of Japan's increasing its dependence on the United States for food imports.

#### 4.(SBU) LDP Diet Member Katayama Supports U.S.-Japan FTA

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EMIN paid a courtesy call on House of Representatives member Satsuki Katayama on November 16 during which she expressed her support for a U.S.-Japan FTA, observing that if it came to pass, an Asia-wide FTA would almost certainly follow.

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Katayama noted, however, the challenge of a bilateral FTA, and that leadership in Japan on the issue needed to come from the top.

She pointed out that she had been nominated to be vice chairman of the LDP Special Committee on Economic Strategy, which would be handling FTAs and EPAs, so she would be in a position to help.

She promised to speak to LDP General Secretary Hidenao Nakagawa and Chief Cabinet Secretary Shoichi Nakagawa about it.

Katayama told us that her contacts inside the Agriculture Ministry would prefer to negotiate a U.S.-Japan FTA rather than the Japan-Australia FTA they were working on at the moment, comments that we've heard expressed elsewhere in official Tokyo circles.

A former MOF official and Tokyo University graduate, Katayama is a first term LDP diet member representing a district in Shizuoka and came to office as a strong supporter of former-PM Koizumi's reforms in the election on postal privatization in 2005.

#### 15. (SBU) METI Senior Parliamentary Vice Minister Puts Priority on Doha Round, Asia Regional FTAs

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EMIN paid a courtesy call on Senior Parliamentary Vice Minister of Economy, Trade, and Industry Kozo Yamamoto on November 17 during which Yamamoto outlined METI's international economic goals.

He placed the conclusion of the Doha Round at the top of his list, followed by the ASEAN Plus Six FTA and then a U.S.-Japan economic partnership agreement (EPA).

Yamamoto emphasized that an economic agreement between the United States and Japan should not be done in haste and suggested that a two- or three-year study was needed.

Yamamoto reported that he recently told Keidanren that METI intended to apply international standards to triangular mergers. He expressed interest in collaborating with the USG on IPR issues

16. (SBU) Will Council for the Promotion of Regulatory Reform Chairman Kusakari Struggle On?  
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Takao Kusakari, the new Chairman of the Council for the Promotion of Regulatory Reform (CPRR), told EMIN during a brief November 17 meeting that he is "not so happy" with his new position as it requires constant "fighting with the ministries."

In fact, Kusakari will make a decision by the beginning of December as to whether he will continue in this job.

He stated that his decision will be based on whether the members proposed for the next iteration of the Council are reform-oriented as well as what power the Council will be given to implement its recommendations.

The Council needs to at least retain its current power to be at all effective and ideally would be given authority over the Ministries to force through change, he said. There are some who would like to weaken CPRR's status, however.

Kusakari's body language, general demeanor and heavy sighs suggested one who has been beaten down by constant struggle, although he's been in his position

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for less than a month.

17. (U) Telecoms MRA Talks Bear Fruit  
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In a successful videoconference on November 22, the United States and Japan finally agreed on a text for the first U.S.-Japan Mutual Recognition Agreement (MRA).

The MRA will allow each two country to accept the test results for telecommunications equipment done by recognized testing laboratories in the other country.

Both sides are aiming to have the agreement go into effect starting with Japan's 2007 fiscal year next April 1.

Several steps remain in both the United States and Japan before the agreement can be signed including finishing the text for an exchange of letters on electromagnetic compatibility (EMC) and translating the text into Japanese.

MOFA will submit the text to the Cabinet Legislative Bureau for review in early December.

If all goes well the agreement could be signed as early as February 2007, but there has been no decision yet on whether the signing ceremony would take place in Tokyo or Washington.

18. (SBU) USG Invited to Recommend Ideas on Healthcare Services Policy

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EMIN met with METI's Manufacturing Industries Policy  
Director General Keikou Terui on November 20 to  
discuss Japan's healthcare services.

Terui described healthcare reform as a political not  
an economic issue and invited the USG to make  
healthcare policy recommendations.

Terui told us that the Prime Minister's new Innovation  
25 initiative included healthcare and that the trend  
in Japan was shifting from curing illness to  
preventing it.

He expressed concern, however, that so many GOJ-  
sponsored committees are examining various aspects of  
healthcare provision in Japan -- he cited four  
altogether, including the CEFPP and the regulatory  
reform committee -- that it will be difficult to come  
to a consensus on solutions.

Terui also lamented that Japan's strict insurance  
system worked against reform and noted that Japan has  
only one privately owned hospital. The facility,  
located in Yokohama, is part of a special economic  
zone (tokku), subject to very tight regulatory  
constraints and not likely to be emulated elsewhere

19. (U) MAFF Places Ban on Poultry and Poultry Products  
from the State of New York  
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The Agriculture Ministry's announcement on November 16  
was made after the Embassy notified them of a new  
avian influenza case found in the region.

The virus, which was found in a "live bird market,"  
was classified as a case of low pathogenicity - H5N2  
and the ban is to be placed retroactively to October  
2, 2007. MAFF had just lifted a ban on poultry and  
poultry products from Pennsylvania and Connecticut on  
November 11.

10. (SBU) Wakayama Governor Arrested in Bid-Rigging  
Bust; More Press on Bid Rigging Scandals Expected

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Wakayama Governor Yoshiaki Kimura was finally arrested  
November 15 on bid-rigging and bribery charges.  
Investigators also discovered evidence that Kimura had  
an undisclosed election slush fund with over 40  
million yen received from corrupt businesses since  
12000.

Osaka Sankei Shimbun Editorial Writer Yoshihisa Saraki  
commented that this case was just one of many  
potential bid-rigging cases in this country.

Saraki pointed out that Japanese public prosecutors,  
fanned by the sheer prevalence of bid rigging by  
politicians, have begun to compete with each other to  
try to land bigger cases.

Media outlets also have become more aggressive in  
searching for cases of wrongdoing, since the scandals  
have sold well so far.

Saraki felt that these factors meant it was difficult  
to extrapolate whether bid rigging was actually  
increasing, or if the spate of high-profile cases was  
due to the authorities finally looking harder.

11. (SBU) Narita Airport Oversight and Japan Airports Discussion Group  
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The Japan International Airports Discussion group is examining plans for privatization and oversight of Narita airport.

ECOUS met with Prof. Yamauchi, Dean of the Graduate School of Commerce and Management at Hitotsubashi University, Tokyo, who chairs the discussion group on November 17.

The discussion group is part of the Aviation Subcommittee of Ministry of Land, Infrastructure, and Transport's (MLIT) Transportation Policy Committee, which will be looking at airport operations policy as part of a review feeding into MLIT's project to create a 5-year plan for infrastructure in Japan.

At the meeting, Prof. Yamauchi explained the work of his discussion group and talked about:

Narita airport privatization; Narita airport oversight; Narita airport expansion costs; Narita airport pricing of services; revision of the aviation law; and foreign airlines input into the their work.

12. (SBU) ExxonMobil Tokyo Looking to Improve Relations with Embassy  
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ExxonMobil told Econoff on November 17 that the company would like to build a strong relationship with the Embassy and that the company had created a government relations plan.

ExxonMobil Japan Public Affairs Manager Kenichi Morishita said that after the retirement in March 2006 of the company's Tokyo marketing strategist J.B. King, the Tokyo office had ceased its involvement with the Russia Sakhalin 1 energy project. Instead, Sakhalin 1 is being handled almost entirely out of Houston and Sakhalin.

Morishita commented that without Tokyo involvement, chances of finding Japanese buyers for the project's natural gas supply were very slim. The Tokyo office is focused almost exclusively on downstream energy projects.

13. (SBU) \$10 billion plus California High Speed Rail

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project and Japan; U.S. Domestic Content and the FRA  
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The State of California has appropriated \$14.3 million this year to begin project implementation on a high-speed rail-line between San Diego, San Francisco, and Sacramento, and a referendum on a \$10 billion matching fund bond proposal to support the first part of the project, an LA-SF line, is planned in 2008.

At a November 15 reception for a California High-Speed Rail Authority delegation hosted by the Japan Overseas Rolling Stock Association a Japanese industry rep told ECONOFF that the five major wagon and three primary engine makers for the Shinkansen would probably create a consortium to make a bid. He said U.S. domestic content would be defined in the contract, but expressed concerns that if Federal money was involved that would require more production in the United States, although this could be finessed by some parts of the project being entirely U.S. built Q e.g. rail lines and stations Q implying the wagons and engines

with the key Japanese technology would be built in Japan.

California delegation members said the source of the matching funds for the bond offer was not going to be specified in the referendum, but acknowledged the State's powerful congressional delegation might be in a position to swing Federal funds their way. Their main concern at this time, however, is getting Federal Railroad Administration approval for the Shinkansen technology, which, despite the excellent safety record of the Shinkansen in Japan, could create delays in the project's implementation.

#### ¶14. (SBU) Mission-wide Economic Conference

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Tokyo Economic Section hosted a mission-wide Economic Conference to strategize on the Mission's economic work for the coming year on November 21-22. Econ officers and FSNs from Tokyo as well as CGs, officers and FSNs from Naha, Fukuoka, Osaka, Nagoya, and Sapporo attended. Apart from Ambassador Schieffer and DCM Joseph Donovan, speakers at the conference included Ambassador Michael Michalak, former Japanese Foreign Minister Nobutaka Machimura, and Boeing Japan President Dr. Robert "Skipp" Orr. The presentations provoked some healthy discussion of our priorities and will help sharpen the reporting and analysis we provide to the front office and Washington.

SCHIEFFER